LEKWA TEEMANE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2018

General Information

Nature of business and principal activities	Provincial of municipal services in terms of the Municipal Finance Management Act No.56 of 2003 and Municipal Systems Act No. 32 of 2000.
Mayoral committee	
	Councilor : K. Palagangwe
Councillors	Councilor : L.W Tshweu
	Councilor : M Majikela
	Councilor : K.L Duiker
	Councilor : J Joseph
	Councilor : M.M Pilane
	Councilor : T Gerber
	Councilor : G. Pencil
	Councilor :M.W Moseswa
	Councilor : P.G Modise -Vacated office on 10/04/2018
	Councilor : S .K Majahe
	Councilor : M .J Moselane -Vacated office on 31/01/2018
	Councilor : S. Fortuin
	Councilor : L.M Segola
	Councilor : K .L Duiker
	Councilor : J.M Dabampe
	Councilor : E Van Biljon
	Councilor : Mr LD Legabe
	Councilor : GC Mmetseng -Vacated office on 31/01/2018
	Councilor: Mosetsana Rosy Mabote
Grading of local authority	Grade 3
Accounting Officer	Mr N Mgengo
Chief Finance Officer (CFO)	Mr K Kumbe
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P.O Box 13 Christiana 2680
Bankers	ABSA
Auditors	Auditor General of South Africa (AGSA) Registered Auditors
Attorneys	Lizel Venter Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on five services that generate revenue namely rates, water, electricity refuse and sanitations. it also get equitable share from the government, which constitutes about 20% of its total income. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Lekwa Teemane Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented based on their review4.

The annual financial statements set out on page 8 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018

Accounting Officer
Mr Ndoda Mgengo

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

1. Review of activities

Main business and operations

The municipality is engaged in provincial of municipal services in terms of the municipal finance management act no.56 of 2003 and municipal systems act no. 32 of 2000. and operates principally in South Africa.

The municipality's contribute towards total income increase marginal as shown in the analysis Below:.

Proportion of income and loss attributable to various classes of business:

2018

Classes of business	Proportion of contribution to income before tax	Amount
Service charges	52 %	155 023 446
Property Rates	10 %	28 602 265
Grants and Subsidies	26 %	78 649 555
Traffic Fines	1 %	931 654
Rental facilities	- %	508 551
Other Income	12 %	35 372 563

2017

Classes of business	Proportion of contribution to income before tax	Amount
Service charges	53 %	152 852 579
Property Rates	5 %	15 697 415
Grants and Subsidies	30 %	81 629 460
Traffic Fines	1 %	14 528 360
Rental facilities	1 %	786 479
Other Income	10 %	30 032 019

2. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had surplus of R 37 743 212 and deficit (2017: R 20, 041,706) and that the municipality's total liabilities not exceed its assets by R 169 363 830 (2017: R139, 351,460).

The municipality has a going concern challange. However the annual finanancial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Thus the municipality's ability to continue as a going concern is dependent on the fact that, inter alia, the accounting officer continue to procure both internal and external funding for the ongoing operations ofthe municipality.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interest in SCM related transactions declared (both potential and existing) declared their interests.

5. Accounting policies

Accounting Officer's Report

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board as the prescribed framework by National Treasury, including any interpretation and directives.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the Councillors of the municipality, are determined in terms of the Government Notices issued by the Minister of Co-operative Government and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meet on a -regular basis with the Mayor and Chairpersons of Portfolio Committee.

Portfolio Committee Chairpersons have access to all members of management (Section 56 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review metters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act,2003 Lekwa Teemane Municipality , must appoint members of the shared Audit Committee. Thus more information with regards to the composition of the shared audit committee. Its operations and sub-committees should be covered in the district municipality's annual financial statements.

Internal audit

The municipality has a shared internal audit function based at the. This is in compliance with the municipality Finance Management Act, 2003, as it is a permitted arrangement.

7. Interest in controlled entities

Name of controlled entity	Country of incorporation if not the RSA	Net income (loss) after tax
Lekwa Teemane Development Agency (Pty) Ltd		205 648 350

The controlled entities is current in the Establishment Phase. Major operations will commence as soon as the Establishment Phase is complete. However, engagements with the various stakeholders (for various transactions relating to the Agency's operations) are taking place.

Details of the municipality's investment in controlled entities are set out in note 77.

Accounting Officer's Report

8. Bankers

The municipality's bankers did not change during the year under review.

9. Auditors

Auditor General of South Africa (AGSA) will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	12	91 834	104 746
Other financial assets	8	55 215	51 063
Traffic Fines receivables	9	3 063 252	3 552 133
Receivables from exchange transactions	13&17	1 160 957	919 463
Receivables from non-exchange transactions	14&17	2 799 003	1 308 229
Consumer debtors	16	37 081 995	23 403 630
Money Markey Investment	11	592 198	5 289 685
Cash and cash equivalents	18	1 707 721	475 215
		46 552 175	**35 104 164**
Non-Current Assets			
Investment property	3	39 580 000	26 519 584
Property, plant and equipment	4	408 957 676	397 023 912
Intangible assets	5	61 455	154 089
Heritage assets	6	170 000	170 000
Investments in controlled entities	7	20 100	20 100
Other financial assets	8	29 618	48 000
Long Term Debtors		6 872 594	7 563 899
		455 691 443	**431 499 584**
Total Assets		**502 243 618**	**466 603 748**
Liabilities			
Current Liabilities			
Other financial liabilities	21	3 000 000	3 000 000
Finance lease obligation	19	1 541 001	944 247
Payables from exchange transactions	23	278 531 760	294 814 990
VAT payable	25	6 956 939	4 225 155
Consumer deposits	26	1 552 251	1 294 300
Employee benefit obligation	10	980 361	984 038
Unspent conditional grants and receipts	20	3 095 940	2 863 715
		295 658 252	**308 126 445**
Non-Current Liabilities			
Finance lease obligation	19	2 352 164	-
Employee benefit obligation	10	26 489 549	23 153 855
Provisions	22	8 379 823	7 695 201
		37 221 536	**30 849 056**
Total Liabilities		**332 879 788**	**338 975 501**
Net Assets		**169 363 830**	**127 628 247**
Accumulated surplus		169 363 830	127 628 247

* See Note 2 & 46 & 45

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	28	155 023 446	152 852 579
Rental of facilities and equipment		508 551	786 479
Interest received on debtors		35 372 563	30 032 019
Licences and permits		2 100 071	1 908 722
Recoveries		10 397 978	5 719 415
Fair Value Adjustment		12 375 794	5 858 876
Sundry Income		963 015	654 281
Insurance Claims		8 768	-
Interest received - investment		557 432	301 173
Total revenue from exchange transactions		**217 307 618**	**198 113 544**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	28 602 265	15 697 415
Transfer revenue			
Government grants & subsidies	30	78 649 555	81 629 460
Traffic Fines		931 654	14 528 360
Donations Received		139 650	98 706
Total revenue from non-exchange transactions		**108 323 124**	**111 953 941**
Total revenue	27	**325 630 742**	**310 067 485**
Expenditure			
Employee related costs	31	(56 407 303)	(48 186 651)
Remuneration of councillors	32	(5 467 292)	(4 730 086)
Depreciation and amortisation	33	(21 055 730)	(17 273 330)
Finance costs	34	(3 961 935)	(4 989 080)
Debt Impairment	35	(75 656 552)	(92 897 153)
Repairs and maintenance		(2 448 463)	(2 671 646)
Bulk purchases	36	(67 379 239)	(65 835 420)
Contracted services	37	(8 037 424)	(12 748 144)
General Expenses	38	(47 473 592)	(40 694 269)
Total expenditure		**(287 887 530)**	**(290 025 779)**
Operating surplus		**37 743 212**	**20 041 706**
Surplus for the year		**37 743 212**	**20 041 706**

* See Note 2 & 46 & 45

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2016	**107 586 541**	**107 586 541**
Changes in net assets		
Surplus for the year	20 041 706	20 041 706
Total changes	20 041 706	20 041 706
Restated* Balance at 01 July 2017	**131 620 618**	**131 620 618**
Changes in net assets		
Surplus for the year	37 743 212	37 743 212
Total changes	37 743 212	37 743 212
Balance at 30 June 2018	**169 363 830**	**169 363 830**

Note(s)

The adjustment mainly relates tos 16 to 49Propert, Plant and Equipments 50 to 86 as a result of previously recognised asset that could not be verified at year end see note 46 for more detail.

* See Note 2 & 46 & 45

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
Cash flows from operating activities			
Receipts			
Receipts from customers		177 667 013	126 315 555
Grants		78 881 780	75 467 782
Investment income		557 432	14 426
Other receipts		13 438 471	22 156 497
Other cash item		557 432	301 173
		271 102 128	224 255 433
Payments			
Employee costs		(61 874 595)	(57 916 737)
Suppliers		(144 366 760)	(99 759 945)
Finance costs		(3 961 935)	(4 989 080)
		(210 203 290)	(162 665 762)
Net cash flows from operating activities	40	**60 898 838**	**61 589 671**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(68 428 201)	(46 100 221)
Proceeds from sale of property, plant and equipment	4	10 580	26 189
Purchase of other intangible assets	5	(89 532)	(41 252)
Proceeds from sale of financial assets		14 230	(34 430)
Purchase of money market investment		-	(4 672 168)
Proceeds from sale of money market investment		4 697 487	-
Movement long term debtors		-	(2 452 945)
Proceeds from sale of money market invest		691 305	-
Net cash flows from investing activities		**(63 104 131)**	**(53 274 827)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(2 719 415)
Movement in other liability 1		-	(2 057 733)
Finance lease payments		2 948 918	(1 430 842)
Finance lease receipts		488 881	(1 353 625)
Net cash flows from financing activities		**3 437 799**	**(7 561 615)**
Net increase/(decrease) in cash and cash equivalents		**1 232 506**	**753 229**
Cash and cash equivalents at the beginning of the year		475 215	(278 014)
Cash and cash equivalents at the end of the year	18	**1 707 721**	**475 215**

* See Note 2 & 46 & 45

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	151 088 283	-	**151 088 283**	155 023 446	**3 935 163**	Due to annual percentage charge increases. New household were completed during the year.
Rental of facilities and equipment	712 091	-	**712 091**	508 551	**(203 540)**	Due to some buliding has been sold out by the municiplaity.
Interest on Debtors	19 404 656	1	**19 404 657**	35 372 563	**15 967 906**	The non-payments behaviour by consumers increased significantly resulting in hikes in interest charges.
Licences and permits	2 223 760	-	**2 223 760**	2 100 071	**(123 689)**	The variance was mainly cuased by the licence department not settling Provincial account
Licenes and Permits	-	-	**-**	10 397 978	**10 397 978**	
Fair Value adjustment	-	-	**-**	12 375 794	**12 375 794**	The value of land file sites has increase
Sundry Income	724 487	63 382	**787 869**	963 015	**175 146**	Sundry activities were reduced to focus on service delivery
Insurance Claims	-	-	**-**	8 768	**8 768**	
Interest received - investment	29 342	-	**29 342**	557 432	**528 090**	The variances due decline in cash management
Total revenue from exchange transactions	**174 182 619**	**63 383**	**174 246 002**	**217 307 618**	**43 061 616**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	22 900 000	2 947 162	**25 847 162**	28 602 265	**2 755 103**	Differences is due to incotrrect billing
Transfer revenue						
Government grants & subsidies	71 100 000	11 239 998	**82 339 998**	78 649 555	**(3 690 443)**	Difference to withdrawal of MSIG
Fines, Penalties and Forfeits	18 195 600	-	**18 195 600**	931 654	**(17 263 946)**	Collected fines were less than anticipated due to increased public awareness of cameras
Donation Received	-	-	**-**	139 650	**139 650**	
Total revenue from non-exchange transactions	**112 195 600**	**14 187 160**	**126 382 760**	**108 323 124**	**(18 059 636)**	
Total revenue	**286 378 219**	**14 250 543**	**300 628 762**	**325 630 742**	**25 001 980**	
Expenditure						
Personnel	(56 944 107)	(5 734 899)	**(62 679 006)**	(56 407 303)	**6 271 703**	Due to vacants posts and general salary increment as approved by SALGA.
Remuneration of councillors	(5 279 249)	177 000	**(5 102 249)**	(5 467 292)	**(365 043)**	Acceptable variances
Depreciation and amortisation	(22 958 608)	-	**(22 958 608)**	(21 055 730)	**1 902 878**	Due decreased compared to prior year due to disposal of asset and asset full depreciated
Finance costs	(200 000)	-	**(200 000)**	(3 961 935)	**(3 761 935)**	Varienace due interest charged on late payment
Debt Impairment	(61 996 000)	-	**(61 996 000)**	(75 656 552)	**(13 660 552)**	Variance due to an error in posting Consumer debtors provision

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Repairs and maintenance	(13 554 800)	(43 089)	**(13 597 889)**	(2 448 463)	**11 149 426**	Regular replacement of electric panal and maintenance o motor vehicle.
Bulk purchases	(89 593 506)	-	**(89 593 506)**	(67 379 239)	**22 214 267**	The purchases were significantly less than anticipated due to distribution losses.
Contracted Services	(17 425 643)	(1 041 356)	**(18 466 999)**	(8 037 424)	**10 429 575**	Improved contract management and cashflow
General Expenses	(38 623 723)	290 176	**(38 333 547)**	(47 473 592)	**(9 140 045)**	Differenc is due to improves cost managemenr and cash management
Total expenditure	**(306 575 636)**	**(6 352 168)**	**(312 927 804)**	**(287 887 530)**	**25 040 274**	
Surplus before taxation	**(20 197 417)**	**7 898 375**	**(12 299 042)**	**37 743 212**	**50 042 254**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(20 197 417)**	**7 898 375**	**(12 299 042)**	**37 743 212**	**50 042 254**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2018											
Financial Performance											
Property rates	22 900 000	2 947 162	25 847 162	-		25 847 162	28 602 265		2 755 103	111 %	125 %
Service charges	151 088 283	-	151 088 283	-		151 088 283	155 023 446		3 935 163	103 %	103 %
Investment revenue	29 342	-	29 342	-		29 342	557 432		528 090	1 900 %	1 900 %
Transfers recognised - operational	47 123 000	-	47 123 000	-		47 123 000	43 681 323		(3 441 677)	93 %	93 %
Other own revenue	41 260 594	63 383	41 323 977	-		41 323 977	62 789 276		21 465 299	152 %	152 %
Total revenue (excluding capital transfers and contributions)	**262 401 219**	**3 010 545**	**265 411 764**	**-**		**265 411 764**	**290 653 742**		**25 241 978**	**110 %**	**111 %**
Employee costs	(56 944 107)	(5 734 899)	(62 679 006)	-	-	(62 679 006)	(56 407 303)	-	6 271 703	90 %	99 %
Remuneration of councillors	(5 279 249)	177 000	(5 102 249)	-	-	(5 102 249)	(5 467 292)	-	(365 043)	107 %	104 %
Debt impairment	(61 996 000)	-	(61 996 000)			(61 996 000)	(75 656 552)	-	(13 660 552)	122 %	122 %
Depreciation and asset impairment	(22 958 608)	-	(22 958 608)			(22 958 608)	(21 055 730)	-	1 902 878	92 %	92 %
Finance charges	(200 000)	-	(200 000)	-	-	(200 000)	(3 961 935)	-	(3 761 935)	1 981 %	1 981 %
Materials and bulk purchases	(89 593 506)	-	(89 593 506)	-	-	(89 593 506)	(67 379 239)	-	22 214 267	75 %	75 %
Other expenditure	(69 604 166)	(794 269)	(70 398 435)	-	-	(70 398 435)	(57 959 479)	-	12 438 956	82 %	83 %
Total expenditure	**(306 575 636)**	**(6 352 168)**	**(312 927 804)**	**-**	**-**	**(312 927 804)**	**(287 887 530)**	**-**	**25 040 274**	**92 %**	**94 %**
Surplus/(Deficit)	**(44 174 417)**	**(3 341 623)**	**(47 516 040)**	**-**		**(47 516 040)**	**2 766 212**		**50 282 252**	**(6)%**	**(6)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	23 977 000	11 239 998	35 216 998	-		35 216 998	34 977 000		(239 998)	99 %	146 %
Surplus (Deficit) after capital transfers and contributions	**(20 197 417)**	**7 898 375**	**(12 299 042)**	**-**		**(12 299 042)**	**37 743 212**		**50 042 254**	**(307)%**	**(187)%**
Surplus/(Deficit) for the year	**(20 197 417)**	**7 898 375**	**(12 299 042)**	**-**		**(12 299 042)**	**37 743 212**		**50 042 254**	**(307)%**	**(187)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Statements and Interpretations Not Yet Effected

GRAP Standard

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been early adopted by the municipality:

- GRAP 2 - Service concession arrangements grantor;
- GRAP 20 - Related Party Disclosures;
- GRAP 108 - Statutory receivables;
- GRAP 109 - Accounting by principals and agents.

The forgoing standards are not yet effected as the Minister of Finance hasnot yet determined the effective dates.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which tehr estimates is revised, if the revision affects only that period or in the period of the revision and futrure periods if the revision affects both the current and future periods..

In the process of applying the municipality's policies, management has made the following significant accounting judgements, estimates and assumptions, which has the most significant effect on the amounts recognised in the annual financial statements and these are consistent with the previous period.

Impairment of Trade and other receivables

The municipality assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The calculation is primarily based on the collection rate of the amount due per individual debtor, as required by GRAP Standard.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Available-for-sale financial assets

The municipality follows the guidance of GRAP Standard to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand, together with economic factors such as [list economic factors such as interest and inflation rates].

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

Post retirement medical aid benefits

The cost of post retirement medical aid benefits is determined using actuarial valuations. The actiuarial valuation involves making assumptions about discount rates, expected rates of return on assets future salary increases, mortality rates and future pension increases. Due to long-term nature of these plans, such estimates are subject to signiaficant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Additional information is disclosed in Note 10.

Effective interest rate

The municipality uses the prime interest rate plus a reasonable adjustment to discount future cash flows. where necessary.

In addition to this, where Investment Certificates were not received, management estimated the amount of interest due or earned on the investment, based on the available data.

Classification as investment property

The municipality regulary reviews its property portolio and determine which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and building fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Depreciation and Carrying Valuie of items of Property, Plant and Equipment

The estimation of useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and /or required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to thge end of the useful lives, and what their condition will be at that time.

Further, when the municipality fully comoplied with GRAP 17, to determine the value of the assets where the cost amounts were not available, management used the current market values of similar assets and adjusted that using condition assessment. Condition assessment was based on management's judgement.

Water Inventory and Cost of Purifying Water

Water Inventory: The amount of water in the municipality's reserviors is based on management judjement. Management make use of engineers to perform these estimates.

Cost of Purifying Water: This is also based on management judgement by reference to the market researches available, adjusted by inflation rates (CPI), if the research was conducted more than a year ago. Reference is also made to Water Ptrocessing Bodies.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation form third parties for investment property that was impaired,lost or given up is reognised in surplus or deficit when the compensation becomes receivables.

A property interest that is held by a lease under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the defination of an investment property and the lease uses the fair value model.

When classification is difficult, further criteria is used to distinguished investment property form owner-occupied property and from property held for sale in the ordinary course of operations,depending on the nature of the scenarion.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. For asset that were acquired at the latter of 30 June 2012. and adoption of GRAP Standards, cost was based on the Net Replacement Cost of the assets as at 30 June 2012, when the GRAP Standards were adopted for the first time.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Accounting Policies

1.6 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare partes and stand by equipment which are expected to be for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	15-40 years
Buildings	Straight line	15-40 years
Plant and machinery	Straight line	3-15 years
Furniture and fixtures	Straight line	5-10 years
Motor vehicles	Straight line	6-7 years
Office equipment	Straight line	3-10 years
IT equipment	Straight line	3-5 years
Infrastructure	Straight line	
• Electricity		15-70 years.
• Roads, Pavement, Bridges and Storm Water		10-80 years.
• Sanitation		6-11 years.
Community	Straight line	
• Graveyard Site		15-40 years
• Recreational facilities		10-40 years
• Sport facilities		15-50 years

The residual value, and the useful life and depreciation method of each asset are reviewed at he end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.6 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. The estimated cost to rehabilitate the landfil sites is perfomed by quilified engineers, using various assmptions. A provision is then amde using those costs. The related cost can either be measured at cost or using the revaluation model.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
- an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus orr deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Accounting Policies

1.8 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.9 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the differenece between the net disposal proceeds, if any, and the carrying amount of the heraitage asset. Such difference is surplus or deficit when the heritage asset is derecognised.

1.10 Investments in controlled entities

Investments in controlled entities are carried at the cost less any accumulated impairement.

The cost of an investment in controlled entities is the aggregate of:.
- the fair value, at the date of exchange, of assets gevin, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entiuty.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combintion if the adjustment is probable and can be measured reliably.

1.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

A financial asset is:
- cash;
- a residual interest of another municipalty; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.11 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and Other Receivables (exchange and non-ecxhange	'
Cash and Cash Equivalents	Financial asset measured at amortised cost
Money Market Investments	Financial asset measured at amortised cost
Other financial Assets	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Trade and other payables	Financial liability measured at amortised cost
Bank overdraft and borrowings	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.11 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

Accounting Policies

1.11 Financial instruments (continued)

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.11 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.11 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

When assets are leased out under a finannce lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. .

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance leases - lessee

When the municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the muncipality assumes substantially all the risks and rewards of ownership are classified as finannce leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achive a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease period so as to produce a constant periodic rate of interest on the remaining balalnce of the liability for each period. The property plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a foreign currency lease liability other than that allowed by the MFMA (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessor

When the asset are leased out under an operating lease, the asset is included in the Statement of Financial Position based on the nature of the asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases are those leases which do not fall within the scope of the above defination of finance leases. Payments made under operating leases are charged against income on a straight line basis over the period of the lease.

1.13 Inventories

Inventories, which consists of consumables, water and stands for sale, are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.13 Inventories (continued)

Stands for sale, Water Inventory and Meters

The municipality changed its accounting policy for inventories in 2018. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 12. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2018 and inventories has accordingly been recognised at provisional amounts, as disclosed in 12.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Accounting Policies

1.14 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Impairment of Property, Plant and Equipment

Cash-generating assets are assets managed with the objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-oriented entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.15 Impairment of Property, Plant and Equipment (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.15 Impairment of Property, Plant and Equipment (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.16 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.16 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.17 Incomplete Construction work (Work In Progress)

1.18 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- a municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Accounting Policies

1.18 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligatin to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by a municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.18 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.18 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.19 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.19 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation. Where there are a number of similar obligations, the likehood that an outflow will be requireed in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likehood of an outflow with respect to any one item included in the same class of obligation may be small. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

Long Service Award

Long service awards are provided to employees who achieve certain pre-determine milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefist that employees have earned in return for their services in the current and prior periods less an amounts paid during the current period. The benefit is discounted to determine its present value.

The municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, trade discounts, returns and volume rebates.

Accounting Policies

1.20 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends, Service charges, Prepaid Electricity & other income

Interest earn on investments is recognised on a time proportion basis that takes into account the effective yield on the investments Interest earned on outstanding debtors is recognised on a time proportion basis.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service charges relating to electricity, water nd sanitation are based on consumption. Meters are read and billed onm a monthly basis and revenue is recognised when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. These adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as against or for revenue in the invoicing period.

Income from agency services: income from agency services is recognised on a monthly basis once the income collected/recived on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

1.21 Revenue from non-exchange transactions (continued)

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. The inflow of resources from a non-exchange transaction shall be recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliable

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.21 Revenue from non-exchange transactions (continued)

Services in-kind

Service in-kind are recognised as revenue and as an asset when the recognition criteria is met.

1.22 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 15% in terms of section 7(1) of the VAT Act in respectr of supply of goods or services, except where the suppliers are specifically zero-rated in terms of section 11, exempted in terms of section 12 of VAT Act or scoped out for VAT purpose. The municipality accounts for VAT on a monthly basis.

1.23 Pre-paid electricity

Revenue from the sale of electricty using pre-paid meter cards is recognised based on consumption.

The consumption is determined on the following trend analysis:

- during the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low;
- The municipality calculates thge average sales for the four months. The result average units are compared to the sales for May and August for reasonableness. If the average sales in units are within a reasonable range or threshold of May and August sales, the average is deemed reasonable. If it is not within the reasonable range obtained for the two months, reasons for significant variances are obtained and accounted for in appropriately, which may be in the form of an adjustment to the revenue for pre-paid electricity. Thus exceptional items are adjusted for.
- The resultant for the month of Jun. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consuption for June, pre-paid electricity revenue sales for June is then based on the estimated consumption units and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, pre-paid electricity for June is then based on the actual units sold.

1.24 Finance income and expenses

Finance income is recognised on a time proportion basis using the effective interest method. If is recognised as it accrues in the surplus or deficit for the year. Dividends income is also recognised in the surplus or deficit on the date the municipality has a right to receive payment, which in the case of quoted shares is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit and loss and imapirment losses recognised on financial assets.t

1.25 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.26 Comparative figures

Where the preesentation or classification of items in the financial statements is amended, prior period comparative amounts are classified. The nature and reasons for the reclassification is year.

When accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. When there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year camparatives are restated accordingly.

Accounting Policies

1.27 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division or permitted by the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure that is contrary to the Municipal Finance Management Act (Act 56 of 2003), the Municipal Systems Act (Act No 32. 0f 2000), and Public Office Bearers Act (Act No.0 0f 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable untul it is written off as irrecoverable.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.30 Use of estimates

The preparation of annual financial statements in conformity with Standard of GRAP requires the use of certain critical accounting estmates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

Accounting Policies

1.31 Gratuities

The muncipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.32 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.33 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.34 Donations and Contributions

Revenue from donations is recognised as revenue when: (1) it is probable that the economic benefits or services potential associated with the transaction will flow to the municipality, (2) the amount of revenue can be measured reliably, (3) any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the considerations received or receivable which is the cash amount received or where the donation is in the form of Property, Plant and Equipment, the fair value of the property, plant and equipment received or receivable.

1.35 Consumer deposit

Consumer deposits are charged when new water and/or electricity accounts are opened. The amounts vary per consumer and are approved by Council as part of the tariff structure.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2018 is as disclosed in the notes to the financial statementt

3. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 580 000	-	39 580 000	26 519 584	-	26 519 584

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	26 519 584	13 060 416	39 580 000

Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	26 519 584	26 519 584

Pledged as security

No investment properties are pledged as security:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was Friday, 29 June 2018. Revaluations were performed by an independent valuer, DDP Valuer [a Professinal Valuer, registered with the South African Council for Property Valuers. DDP Valuers are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use. The process to determination of market value took into account the following assumptions, among other things, (a) selling prices of similar recent property sales in Christiana, (b) age and current condition of the buildings, (c) use of the building, (d) existing current lease agreement in palce, (e) discount rate in line with the municipality estmated cost of borrowings and (f) any other key assumptions deemed necessary.

There is no restrictions on the realisability of the investment property or the remittance of revenue genarated by investment properties. Valuations were done by an independent sworn appraiser.

Amounts recognised in surplus and deficit for the year.

	2018	2017
Rental revenue from investment property	508 551	786 479
Fair Value Adjustment	13 060 416	197 748

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	42 631 650	-	42 631 650	42 631 650	-	42 631 650
Buildings	13 877 798	(6 625 621)	7 252 177	13 877 798	(5 854 770)	8 023 028
Plant and machinery	5 831 512	(4 026 670)	1 804 842	5 831 513	(3 450 614)	2 380 899
Furniture and fixtures	1 715 340	(1 190 167)	525 173	1 704 840	(1 019 101)	685 739
Motor vehicles	7 855 000	(6 067 549)	1 787 451	7 855 001	(5 398 249)	2 456 752
Office equipment	8 073 472	(5 091 360)	2 982 112	4 404 761	(3 739 491)	665 270
IT equipment	2 291 569	(1 336 113)	955 456	1 765 983	(1 081 996)	683 987
Roads, Pavem, Bridges & Storm Water	327 162 203	(111 787 763)	215 374 440	308 026 917	(99 837 653)	208 189 264
Community	20 300 761	(5 348 030)	14 952 731	10 629 846	(4 637 735)	5 992 111
Electricity	142 660 481	(36 296 786)	106 363 695	135 856 092	(31 894 312)	103 961 780
Landfil Site	11 179 822	(2 294 796)	8 885 026	12 068 325	(3 183 299)	8 885 026
Work In Progress	5 442 923	-	5 442 923	12 468 406	-	12 468 406
Total	**589 022 531**	**(180 064 855)**	**408 957 676**	**557 121 132**	**(160 097 220)**	**397 023 912**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	42 631 650	-	-	-	-	42 631 650
Buildings	8 023 028	-	-	-	(770 851)	7 252 177
Plant and machinery	2 380 899	-	-	-	(576 057)	1 804 842
Furniture and fixtures	685 739	10 500	-	-	(171 066)	525 173
Motor vehicles	2 456 752	-	-	-	(669 301)	1 787 451
Office equipment	665 270	3 668 711	-	-	(1 351 869)	2 982 112
IT equipment	683 987	553 887	(10 580)	-	(271 838)	955 456
Roads, Pavem, Bridges & Storm Water	208 189 264	19 135 286	-	-	(11 950 110)	215 374 440
Community	5 992 111	9 670 915	-	-	(710 295)	14 952 731
Electricity	103 961 780	6 804 091	-	-	(4 402 176)	106 363 695
Landfil Sites	8 885 026	-	-	-	-	8 885 026
Work In Progress	12 468 406	28 584 811	-	(35 610 294)	-	5 442 923
	397 023 912	**68 428 201**	**(10 580)**	**(35 610 294)**	**(20 873 563)**	**408 957 676**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	42 631 650	-	-	-	-	-	42 631 65
Buildings	8 793 879	-	-	-	-	(770 851)	8 023 02
Plant and machinery	2 861 290	98 706	-	-	-	(579 097)	2 380 89
Furniture and fixtures	826 006	29 024	-	-	-	(169 291)	685 73
Motor vehicles	2 941 856	267 672	-	-	-	(752 776)	2 456 75
Office equipment	1 514 126	349 380	(26 189)	-	-	(1 172 047)	665 27
IT equipment	701 863	284 055	-	-	-	(301 931)	683 98
Roads, Pavem, Bridges & Storm Water	209 089 414	10 823 063	-	-	-	(11 723 213)	208 189 26
Community	6 582 646	-	-	-	-	(590 535)	5 992 11
Electricity	88 096 803	600 014	-	19 456 882	-	(4 191 919)	103 961 78
Landfill Sites	4 098 830	-	-	-	5 674 699	(888 503)	8 885 02
Work in Progress	16 920 926	33 648 307	-	(38 100 827)	-	-	12 468 40
	385 059 289	**46 100 221**	**(26 189)**	**(18 643 945)**	**5 674 699**	**(21 140 163)**	**397 023 91**

Pledged as security

The municipality does not have any assets pledged as security:

Assets subject to finance lease (Net carrying amount)

	2018	2017
Office equipment	2 893 549	567 905

Useful Lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflected the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were not adjusted as they were found to be reasonable.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	1 646 315	(1 584 860)	61 455	1 556 782	(1 402 693)	154 089

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	154 089	89 532	(182 166)	61 455

5. Intangible assets (continued)

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	363 688	41 252	(250 851)	154 089

Pledged as security

The municipality does not have any intangible assets pledged as security:

Restricted title

There is no restriction on the title of intangible assets.

Intangible assets have finite useful lives and are amortized over the useful lives.

6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	170 000	-	170 000	170 000	-	170 000

Reconciliation of heritage assets 2018

	Opening balance	Total
Historical monuments	170 000	170 000

Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	170 000	170 000

7. Investments in controlled entities

Name of company	Held by	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Lekwa Teemane Development Agency		100,00 %	100,00 %	20 100	20 100

The carrying amounts of controlled entities are shown at cost, net of impairment losses. If there are any impairment losses.

Controlled entities pledged as security

There is no controlled entity pledged as security..

8. Other financial assets

	2018	2017
Designated at fair value		
Listed shares	55 215	51 063
Othe financial asset	29 618	48 000
	29 618	48 000

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

8. Other financial assets (continued)

	84 833	**99 063**
Non-current assets		
Designated at fair value	29 618	48 000
Current assets		
Designated at fair value (Sanlam Shares)	55 215	51 063

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Listed Shares This comprises of 788 shares held in Sanlam. The shares were valued based on the market value of the shares as at 30 June 2018, which was R70.07 2018 per share (2017): R64,80)	55 218	51 063

9. Traffic Fines receivables

Traffic Fines receivable		
Gross Amount Receivables	79 523 390	79 737 410
Impairment	(76 460 138)	(76 185 277)
	3 063 252	**3 552 133**

The impairment of the traffic fines is based on a management estimates determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines.

10. Employee benefit obligations

Defined benefit plan

The defined benefit plan, is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth and SAMWUMED medical aid schemes.

The municipality is commited to pay 60% of the members post employment medical aid contributions up to an amount that is currently capped at R3 942.23 per month. Under the plan, dependents of the former employees ar entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 107 in service members and 23 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2018 by ARCH Actuaries. The present value of the defined benefits obligation, and the related current services cost and past services costs, were measured using the Projected Unit Credit Method.

Figures in Rand	2018	2017

10. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(24 137 893)	(21 478 161)
Long Service Award	(3 332 017)	(2 659 732)
	(27 469 910)	**(24 137 893)**

Non-current liabilities	(26 489 549)	(23 153 855)
Current liabilities	(980 361)	(984 038)
	(27 469 910)	**(24 137 893)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS 19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Key assumptions for - Long Service Awards

Discount Rates	8,53 %	8,47 %
General Salary Inflation	6,16 %	6,29 %
Net Effective Discount Rates	2,23 %	2,05 %
	-	-

Long Service Award

The actuarial valuation of the long service award was performed by CHANAN WEISS (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuaries (Pty) Ltd

The long service bonus award provision consist of an obligation to pay out bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Lekwa-Teemane Local Municipality and the value is represented by the present value of long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed form 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.t

Valuation assumptions made include Discount Rate of 8.53% (2017: 8.47%), Consumer Price Inflation of 6.4% (2017:6.51%) Normal Salary Increase of 6,16% (2017: 6.29%) and Net Effective Discount Rate of 2.23% (2017: 2.05%)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	21 478 161	24 706 000
Benefits paid	(984 038)	(765 000)
Net expense recognised in the statement of financial performance	1 827 317	(2 462 839)
	22 321 440	**21 478 161**

Net expense recognised in the statement of financial performance

Current service cost	703 226	962 000
Interest cost	1 996 093	2 273 000
Actuarial (gains) losses	(872 002)	(5 697 839)
	1 827 317	**(2 462 839)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Employee benefit obligations (continued)

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	76 784	(5 697 839)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,50 %	9,51 %
Expected rate of return on assets	7,36 %	7,80 %
Expected rate of return on reimbursement rights	5,15 %	5,48 %
Actual return on reimbursement rights	1,99 %	1,58 %
Maximum subsidy	4,14 %	- %

Demographic Assumptions: Normal Retirement age (65 years), Fully accrued agre (63 years), Age between husband and wife (Active members - 4 years, Pensioners - actual age used: Proportion married (Active members - 90%, Pensioners - actual married status used.

Decrement Assumptions: Mortality (Active members: SA (85 - 90), Pensioners; PA(90 - 92).

Continuation percentages: it was assumed that 100% of the deceased pensioners spouse will continue with their membership.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	2 699 319	3 703 000
Effect on defined benefit obligation	26 376 779	24 485 104

Amounts for the current and previous four years are as follows:

	2018 R	2017 R	2016 R	2015 R	2014 R
Defined benefit obligation	22 321 440	21 478 161	24 706 000	22 744 000	20 585 000

10. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Multi-Employer and State Plans

The folowing are the defined plans that the municipality's employees belong to:
- SAMWU Provident Fund
- Metropolitan Pension Fund
- South African Local Authorities (SALA) Pension Fund
- Municipal Graduaity Fund

These are not treated as define benefit plans as define by IAS 19, but are accounted for as define contribution plans. This is in line with the exemption in IAS 19 Paragrph 30 which states that where information required for proper defined benefit accounting is not available in respect of multi-employer and state plan, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail. An amount of R4, 218.17.(2017: R3,942,23) was contributed by council in respect of councillors and employees retirement fund. These contributions have been expensed and are included in employee related costs for the year.

In terms of contributions to the fund, the municipality and employeescontributions are as follows: -
SALA Pensin Fund - Employee (8.6%); Employer (20.78%);
- SAMWU Pension Fund - Employee (8.6%); Employer (18.6%);
- Metropolitan Pension Fund - Employee (8.6%); Employer (18.06);
- Municipal Graduity Fund - Employee (8.6%); Employer (18.6%)

Plan Assets

The muncipality does not have assets set aside for post-employment medical aid benefits fund that qualify as plan assets in terms of the requirements of IAS 19. As such no value has been ascribed to the fair value of plamn assets.

11. Money Market Investment

This relates to money market placements with various financial services institutions. the money is placed on fixed or call accounts. The investment period averages 60 days. The average interest rates for the current year were .6.4.% (2017: 6.4%).t

	2018	2017
Money Market Investment		
Nedbank (various accounts)	94 516	86 930
ABSA (Various Accounts)	493 244	5 202 743
	587 760	**5 289 673**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

12. Inventories

Water	83 970	96 882
Stands	7 864	7 864
	91 834	**104 746**

12.1 Non - Financial information - Quantities of Water (Kilolitres)

Stoordam Stand	4 859	4 121
Ultwanang	765	648
Bloemhof Reservoir 1	5 467	6 444
Bloemhof Reservoir 2	1 094	1 289
Tower Reservoir	353	322
Networks and Pipes	2 235	7 508
	14 773	**20 332**

Inventory pledged as security

No inventory was pledged as security for the current year and previous year.

13. Receivables from exchange transactions

Trade debtors	62 709	421 461
Deposits	-	29 618
Other receivables 1	1 098 248	665 149
Other receivables 3	-	(196 765)
	1 160 957	**919 463**

Trade and other receivables pledged as security

There were no trade and other receivables were pledged as security during the year under review and prior year.

14. Receivables from non-exchange transactions

Consumer debtors - Rates	2 799 003	1 308 229

Receivables from non-exchange transactions impaired

Some of the other receivables from non-exchange transactions were not considered to be impaired. At 30 June 2018, R2 799 003 (2017: R1 308 229 were not impaired.

.

The ageing of amounts past due but not impaired is as follows:

1 month past due	839 701	218 038
2 months past due	587 791	436 076
3 months past due	1 371 511	654 114

As at 30 June 2018, other receivables from non-exchange transactions of R 37,595,541 (2017: R21, 912,131 were impaired and provided for.:

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

14. Receivables from non-exchange transactions (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	21 912 131	24 385 625
Current year movements	15 169 866	(2 473 494)
	37 081 997	**21 912 131**

Rates Billed

Rates received		
All Property rates	22 282 487	15 697 414

Valuation Roll		
Residential	1 185 896 100	891 829 800
Commercial	291 242 006	276 610 000
Industrial	83 290 100	45 927 900
State	180 366 000	18 909 600
Vacant Land	10 190 000	1 781 100
Agriculture	2 251 030 450	1 142 356 100
Municipal Property	494 906 000	-
	4 496 920 656	**2 377 414 500**

15. VAT receivable

The municipality is charged VAT on cash basis. Thus the VAT 201's are based on amount paid and/or collected. However in the ledger the amounts for output and input VAT are accrued when the transactions occurs.

16. Consumer debtors

Gross balances		
Electricity	42 094 561	37 678 220
Water	183 550 386	167 375 985
Waste water	80 042 236	70 392 738
Waste	61 544 356	54 024 886
Interest (all Service charges)	163 249 536	125 712 804
Sundry Debtors	4 677 468	4 467 437
	535 158 543	**459 652 070**

Less: Allowance for impairment		
Electricity	(39 177 761)	(35 759 797)
Water	(170 831 885)	(158 853 875)
Waste water	(74 495 981)	(66 808 623)
Waste	(57 279 849)	(51 274 157)
Interest (All service charges)	(151 937 713)	(119 312 015)
Sundry	(4 353 359)	(4 239 973)
	(498 076 548)	**(436 248 440)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Consumer debtors (continued)

Net balance		
Electricity	2 916 800	1 918 423
Water	12 718 501	8 522 110
Waste water	5 546 255	3 584 115
Waste	4 264 507	2 750 729
Interest (All service charges)	11 311 823	6 400 789
Sundry	324 109	227 464
	37 081 995	**23 403 630**

Electricity		
Current (0 -30 days)	744 295	552 233
31 - 60 days	88 790	59 139
61 - 90 days	2 083 715	1 307 051
	2 916 800	**1 918 423**

Water		
Current (0 -30 days)	300 863	246 489
31 - 60 days	156 353	151 282
61 - 90 days	12 261 285	8 124 339
	12 718 501	**8 522 110**

Waste water		
Current (0 -30 days)	152 773	89 751
31 - 60 days	66 666	37 566
61 - 90 days	5 326 816	3 456 798
	5 546 255	**3 584 115**

Refuse		
Current (0 -30 days)	119 208	55 634
31 - 60 days	52 624	21 962
61 - 90 days	4 092 675	2 673 133
	4 264 507	**2 750 729**

Interest on Debtors		
Current (0 -30 days)	437 249	281 333
31 - 60 days	214 300	121 668
61 - 90 days	10 660 274	5 997 788
	11 311 823	**6 400 789**

Sundry Debtors		
Current (0 -30 days)	21 922	8 328
31 - 60 days	2 086	1 199
61 - 90 days	300 101	217 937
	324 109	**227 464**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(436 248 440)	(359 577 940)
Contributions to allowance	(61 828 108)	(76 670 500)
	(498 076 548)	**(436 248 440)**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Consumer debtors (continued)

Consumer debtors pledged as security

No consumer debtors were pledged as security

Subsequent Adjustments

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

The Gross Balances of the consumer debtors have been adjusted by receipts of R0 .that were received during the year and only identified and allocated after year end and hence could not be adjusted on the Debtors Account as at year end.

17. Consumer debtors disclosure

	2018	2017
Gross balances		
Consumer debtors - Rates	40 394 543	25 693 853
Less: Allowance for impairment		
Consumer debtors - Rates	(37 595 540)	(24 385 624)
Net balance		
Consumer debtors - Rates	2 799 003	1 308 229
Rates		
Current (0 -30 days)	179 617	436 078
31 - 60 days	49 562	872 151
61 - 90 days	2 569 824	-
	2 799 003	**1 308 229**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Agriculture		
Current (0 -30 days)	151 950	95 527
31 - 60 days	145 690	69 382
61 - 90 days	117 155	70 264
91 - 120 days	123 367	69 089
121 - 365 days	12 286 403	5 922 328
	12 824 565	6 226 590
Less: Allowance for impairment	(11 935 902)	(5 750 797)
	888 663	**475 793**

Industrial/ commercial		
Current (0 -30 days)	4 843 935	4 930 211
31 - 60 days	2 720 985	1 782 201
61 - 90 days	858 491	763 662
91 - 120 days	942 574	816 799
121 - 365 days	26 931 591	21 097 261
	36 297 576	29 390 134
Less: Allowance for impairment	(33 782 374)	(27 144 348)
	2 515 202	**2 245 786**

Households		
Current (0 -30 days)	10 936 907	10 347 198
31 - 60 days	9 487 914	7 864 475
61 - 90 days	7 952 948	7 201 833
91 - 120 days	8 074 724	8 062 553
121 - 365 days	489 979 897	419 198 679
	526 432 390	452 674 738
Less: Allowance for impairment	(489 953 811)	(418 084 537)
	36 478 579	**34 590 201**

Total		
6226589,22	12 824 567	5 750 797
31 - 60 days	36 297 577	29 390 134
61 - 90 days	519 711 899	453 674 738
91 - 120 days	6 720 493	4 618 361
	575 554 536	493 434 030
Less: Allowance for impairment	(575 554 536)	(493 434 030)
	-	-

18. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 707 721	475 215

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
ABSA BANK - Current Account - 181-000-0844	209 651	147 088	-	209 651	146 993	-
ABSA BANK - Current Account - 181-046-415	-	26 879	-	-	26 879	-
ABSA BANK - Current Account - 405-924-4467	1 497 319	172 116	-	1 497 319	299 157	-
ABSA BANK - Petty Cash - 405-305-6975	751	751	-	751	2 681	-
Total	**1 707 721**	**346 834**	**-**	**1 707 721**	**475 710**	**-**

19. Finance lease obligation

	2018	2017
Minimum lease payments due		
- within one year	2 664 918	944 451
- in second to fifth year inclusive	2 853 816	-
	5 518 734	944 451
less: future finance charges	(1 625 569)	-
Present value of minimum lease payments	**3 893 165**	**944 451**
Present value of minimum lease payments due		
- within one year	1 541 001	-
- in second to fifth year inclusive	2 352 164	-
	3 893 165	**-**
Non-current liabilities	2 352 164	-
Current liabilities	1 541 001	944 247
	3 893 165	**944 247**

It is municipality policy to lease certain office equipment under finance leases, denominated in the present currency (Rand)

The average lease term was 3-5 years and the average effective borrowing rate was 32% (2017: 12%).

Interest rates are linked to prime at the contract date while some increases by a fixed margin. office equipment repayments and no arrangements have been entered into for contingent rent whilst furniture leases have a variable interest rate. The repayments increases by an average of 32% per year over the three year period. have fixed repayments

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

Defaults and breaches

During the period underreview, there were no defaults or breaches of any leases agreements.]

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

Figures in Rand	2018	2017

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 436 809	1 830 243
Fianance Management Grant	360 519	138 618
Dept of Arts, Sports and Culcture (Utlwanang Library)	1 298 612	894 854
	3 095 940	**2 863 715**

Movement during the year

Balance at the beginning of the year	2 863 715	600 000
Additions during the year	43 136 207	44 633 175
Income recognition during the year	(42 903 982)	(42 369 460)
	3 095 940	**2 863 715**

See note 28 for reconciliation of grants from National/Provincial Government.

The municipality has applied for Roll-over of R1.4 Mil unspent conditional grant for 2017/18.

21. Other financial liabilities

Designated at fair value		
DRSM	3 000 000	3 000 000
Terms and conditions		

Current liabilities		
LOAN - DRSM	3 000 000	3 000 000

Figures in Rand	2018	2017

22. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Addition provision	Total
Environmental rehabilitation	7 695 201	684 622	8 379 823

Reconciliation of provisions - 2017

	Opening Balance	Total
Environmental rehabilitation	7 695 201	7 695 201

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act No. 73 of 1989, the municipality is supposed to rehabilatate such land upon closure of the dumping sites. Provision based on engineering estimates has been provided.
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Long Service Award Provision

The actuarial valuation of the long service awardwas performed by CHANAN WEISS (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuaries (Pty) Ltd.

The long service bonus award provision consist of an obligation to pay ouyt bonus to qualifying employees in the year the employee the attains the required service period. The obligationrepresents a liability to Lekwa-Teemane Loacl Municipality and the value is represented by the present value of long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providinglongservice awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profileof the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed form 10 years to 45 years. This will be in the form of leavedays accumulayted, that will be encashed immediately.

Valuationassumptions made include Discount Rate of 8.47% (2017: 8.47%), Consumer Price Inflation of 6.29% (2017:6.29%) Normal Salary Increase of 7,51% (2017: 6.29%) and Net Effective DiscounbtRate of 1.20% (2015: 2.05%), Mortality SA85-90 (2015: SA85-90).

23. Payables from exchange transactions

	2018	2017
Trade payables	252 897 998	259 661 741
Payments received in advanced - contract in process	3 032 180	2 980 263
Unallocted receipts	6 785 095	8 443 452
Other payables	(320 916)	6 233 205
Accrued leave pay	11 323 708	9 031 337
Accrued bonus	1 283 893	1 233 517
Creditors (Accruals)	3 529 802	7 231 475
	278 531 760	**294 814 990**

Fair value of trade and other payables

Trade and other payables have not been fair valued. The main reason for that is the major creditors such as Eskom and Auditor-General of South Africa do charge interest on all outstanding invoices. As such the amount owing is thus the fair value. There is no need to re-discount the amounts so as to determine the fair value. The amount owing to Department of Water Affairs cannot be fair valued as the account has not been settled in over 10 years and there is no indication as to when any payment will be made, and based on this itis inpracticable to fairvalue the amount.]

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

24. Financial instruments disclosure

Financial asset

Other financial assets	55 215	51 063
Receivables from exchange transactions	919 643	919 463
Receivables from non-exchange transactions	-	1 308 229
Consumer Debtors	-	23 403 630
	974 858	**25 682 385**

25. VAT payable

Tax refunds payables	6 956 939	4 225 155

26. Consumer deposits

Electricity	1 542 694	1 284 743
Water and Hall deposit	9 557	9 557
	1 552 251	**1 294 300**

27. Revenue

Service charges	155 023 446	152 852 579
Rental of facilities and equipment	508 551	786 479
Interest on debtors	35 372 563	30 032 019
Licences and permits	2 100 071	1 908 722
Loan written off - Recoveries	10 397 978	5 719 415
Fair Value Adjustment	12 375 794	5 858 876
Sundry income	963 015	654 281
Insurance Claims	8 768	-
Interest received - investment	557 432	301 173
Property rates	28 602 265	15 697 415
Government grants & subsidies	78 649 555	81 629 460
Fines	931 654	14 528 360
Donations received	139 650	98 706
	325 630 742	**310 067 485**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	155 023 446	152 852 579
Rental of facilities and equipment	508 551	786 479
Interest on debtors	35 372 563	30 032 019
Licences and permits	2 100 071	1 908 722
Recoveries	10 397 978	5 719 415
Fair Valuue Adjustment	12 375 794	5 858 876
Sundry income	963 015	654 281
Insurance Claims	8 768	-
Interest received - investment	557 432	301 173
	217 307 618	**198 113 544**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

27. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	28 602 265	15 697 415
Transfer revenue		
Government grants & subsidies	78 649 555	81 629 460
Fines	931 654	14 528 360
Donations Received	139 650	98 706
	108 323 124	**111 953 941**

Nature and type of services in-kind are as follows:

The muncipality offers services in kind to Lekwa Teemane Development Agency. These services include (a) use of the muncipality's internet services (b) cleaning of the entity's offices by municipali employees (c) printing services (d) use of offices on a no rental basis]

28. Service charges

Pre-paid Electricity	3 928 790	2 440 952
Sale of electricity	73 293 753	66 546 853
Sale of water	33 920 781	49 597 629
Sewerage and sanitation charges	24 358 527	20 282 180
Refuse removal	19 521 595	13 984 965
	155 023 446	**152 852 579**

29. Property rates

Rates received

Residential	13 569 719	-
Commercial	8 487 759	-
State	3 811 661	-
Municipal	4 512 250	-
Small holdings and farms	5 423 809	-
All property types	-	15 697 415
Less: Income forgone	(7 202 933)	-
	28 602 265	**15 697 415**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Government grants and subsidies

Operating grants		
Equitable share	39 726 000	39 260 000
Finance Management Grants	2 145 000	1 671 382
Expanded Public Works Grants (EPWP)	1 188 000	1 000 000
Library Grant	-	705 146
LG SETA	613 555	206 175
	43 672 555	**42 842 703**
Capital grants		
Municipal Infrastructure Grant	25 977 000	23 786 757
Integrated National Electrification Programme	9 000 000	15 000 000
	34 977 000	**38 786 757**
	78 649 555	**81 629 460**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	34 977 000	38 786 757
Unconditional grants received	43 672 555	42 842 703
	78 649 555	**81 629 460**

Equitable Share

In terms of the Constitution Act, part of this grant is used to subsidise the provision of basic services to indigent community members. Included in the Equitable Share is an amount of R1 969 000 that was witheld from the Equitable Share allocation of the 2017/18 financial year.

All registered indigents receive a monthly subsidy of R 391 (2017: R 342), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1 830 243	-
Current-year receipts	25 977 000	25 617 000
Conditions met - transferred to revenue	(24 540 191)	(23 786 757)
Less:Amount withheld	(1 830 243)	-
	1 436 809	**1 830 243**

The grant is used for the construction or resealing of roads infrastructure within the municipal boundries.

The unspent portion from 2016/17 was withheld from the 2017/18 allocation of the Equitable share.

Integrated National Electricity Programme Grant (INEP)

Current-year receipts	9 000 000	15 000 000
Conditions met - transferred to revenue	(9 000 000)	(15 000 000)
	-	**-**

The grant used for the operational and capital purpose, which included payment of interns salaries and other budgetary reforms.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

30. Government grants and subsidies (continued)

EPWP - CAPA

Current-year receipts	1 188 000	1 000 000
Conditions met - transferred to revenue	(1 188 000)	(1 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 20).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) for the cleaning of the municipal surroundings.

Finance Management Grant (FMG)

Balance unspent at beginning of year	138 618	-
Current-year receipts	2 145 000	1 810 000
Conditions met - transferred to revenue	(1 784 481)	(1 671 382)
Less : Amount withheld	(138 618)	-
	360 519	**138 618**

The grant was used for operational and capital purpose, which included payment of interns salaries and other budgetary reforms.

Library grants

Balance unspent at beginning of year	894 854	600 000
Current-year receipts	600 000	1 000 000
Conditions met - transferred to revenue	(196 242)	(705 146)
	1 298 612	**894 854**

Conditions still to be met - remain liabilities (see note 20).

The grant is provided for the purpose of the operational expenses of the library's.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

31. Employee related costs

Basic	34 121 497	30 379 807
Bonus	2 307 464	2 247 909
Medical aid - company contributions	10 604 063	8 145 122
UIF	307 285	286 591
Other payroll levies	46 629	1 214 000
Leave pay provision charge	189 666	-
Pension Fund	165 355	108 951
Overtime payments	2 947 668	2 294 672
Long-service awards	(34 160)	-
Acting allowances	180 193	-
Car allowance	3 101 370	2 855 872
Housing benefits and allowances	838 650	1 082 047
Telephone Allowances	201 394	239 642
Actuarial (gains)/losses	-	(6 101 765)
Interest Cost - Post Retirement Benefits	-	2 543 000
	54 977 074	**45 295 848**

Remuneration of municipal manager

Annual Remuneration	386 153	365 316
Car Allowance	114 966	105 262
Contributions to UIF, Medical and Pension Funds	892	-
Housing Allowance	86 276	-
Bargaining Council	48	90 917
Telephone Allowance	9 000	10 500
	597 335	**571 995**

Remuneration of chief finance officer

Annual Remuneration	150 984	381 668

Remuneration of Director Corporate Service

Annual Remuneration	240 008	497 380
Car Allowance	40 000	120 000
Contributions to UIF, Medical and Pension Funds	595	-
Housing Allowance	50 455	-
Bargaining Council	31	196 515
Telephone Allowance	3 600	14 400
	334 689	**828 295**

Remuneration of Technical Service Director

Annual Remuneration	-	141 738

Remuneration of Community Service Director

Annual Remuneration	233 002	511 365
Car Allowance	66 632	199 896
Housing Allowance	42 161	115 505
Contributions to UIF, Medical and Pension Funds	595	-
Bargaining Council	31	125 941
Telephone Allowance	4 800	14 400
	347 221	**967 107**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

32. Remuneration of councillors

Mayor's allowance	848 491	810 211
Mayoral Committee Members	327 100	9 439
Councillors Allowance	4 291 701	3 910 436
	5 467 292	**4 730 086**

In-kind benefits

The Executive Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

33. Depreciation and amortisation

Property, plant and equipment	21 055 730	17 273 330

34. Finance costs

Non-current borrowings	3 960 073	4 967 491
Other interest paid	1 862	21 589
	3 961 935	**4 989 080**

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2017: R -).

35. Debt impairment

Debt impairment	75 038 022	92 747 773
Bad debts written off	618 530	149 380
	75 656 552	**92 897 153**

36. Bulk purchases

Electricity	44 161 606	44 929 961
Water	23 217 633	20 905 459
	67 379 239	**65 835 420**

37. Contracted services

Information Technology Services	2 274 562	189 488
Operating Leases	652 105	4 226 504
Other Contractors	5 110 757	8 332 152
	8 037 424	**12 748 144**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

38. General expenses

Advertising	225 878	321 549
Auditors remuneration	3 712 941	268 152
Bank charges	469 037	390 691
Cleaning	33 223	45 696
Consulting and professional fees	5 213 869	8 645 292
Entertainment	82 894	81 861
Insurance	668 968	-
Conferences and seminars	-	350 000
Licensing	1 119 704	112 252
Motor vehicle expenses	260 079	1 224 524
Postage and courier	4 293	6 254
Printing and stationery	485 267	621 739
Promotions	6 587	-
Protective clothing	651 626	37 995
Subscriptions and membership fees	6 150	568 347
Telephone and fax	440 800	382 214
Travel - local	1 456 527	1 000 678
Number Plates	-	138 731
Development Agency Assistance	141 200	32 593
Indigent subsidy	30 564 828	21 569 610
Stores and material	-	115 594
Municipal accounts	1 917 085	4 780 497
Printing of traffic signs	12 636	-
	47 473 592	**40 694 269**

39. Auditors' remuneration

Fees	3 712 941	268 152

40. Cash generated from operations

Surplus	37 743 212	20 041 706
Adjustments for:		
Depreciation and amortisation	21 055 730	17 273 330
Debt impairment	75 656 552	92 897 153
Movements in retirement benefit assets and liabilities	3 332 017	(3 608 107)
Movements in provisions	684 622	337 372
Fiar value adjusctment	(12 375 794)	(5 858 876)
Other non-cash items	12 154 560	(19 420 540)
Other non-cash items	26 763 482	-
Changes in working capital:		
Inventories	12 912	767 987
Receivables from exchange transactions	(241 494)	(778 170)
Consumer debtors	(89 334 917)	(65 090 864)
Other receivables from non-exchange transactions	(1 490 774)	(207 430)
Payables from exchange transactions	(16 283 230)	33 094 355
VAT	2 731 784	(1 778 484)
Unspent conditional grants and receipts	232 225	(6 161 678)
Movement in Consumer deposits	257 951	81 917
	60 898 838	**61 589 671**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	11 340 507	15 273 590
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	25 143 000	25 126 216
Total capital commitments		
Already contracted for but not provided for	11 340 507	3 164 765
Not yet contracted for and authorised by accounting officer	25 143 000	25 126 216
	36 483 507	**28 290 981**

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the Annual Financial Statements

42. Contingencies

42.1 Jaurum Construction & Projects:
The plaintiff alleges that it rendered work for the municipality and did not receive payment. The defendant disputes the claim due to the fact that procuremen tprocess was not followed and the services rendered ona property not belong to the municipality.Settlement agrreement signed on 20 August 2018 abd the Municipality to pay R190 000 in four equal instalments.

42.2. T de Kock:
Matter relates to approval of Building Plans. The matter has not been advanced by Mr De Kock or his attorneys since March 2016. Financial exposure cannot be estmated.

42.3 Bloemhof District Agricultural Union.
The defendant disconnected electricity supply.The plaintiff sort recourse from the High Court. The financial exposure cannot be estimated. The estmated financial expeosure is: R50 099.52

42.4 Department of Water and Sanitation
Matter relates to the disputes by LTLM against the Department of water and sanitation.The District municipality is responsible for obsructing and purufying water as a water authority .The discussins are underway as to how best to deal with this matter. The estimated financial exposure R 89 299 166.29.

42.5 B Segapo t

The Respondent (Director Technical Services) was dismissed after a disciplinary hearing and he referred an unfair dismissal to the Bargaining Council. An Award was issued in his favour wherein the Municipality was ordered to reinstate the employee and pay the employee R701 000 in outstanding salaries. The Municipality is reviewing the matter in the Labour Court.

Currently the parties are awaiting a notice of set down from the Registrar.

42.6 Anton Coetzee t

The plaintiff sued the Municipality alleging that his vehicle was damaged after driving over a pothole.His initial claim was for R32000,00 but the Municipality has been advised by his attorneys that they are increasing their claim to R59 000.The settlement has been reached for the Municipality to pay R47 000.

42.7 T Keepile

Review application -Labour Court -Matter arose when the then p.a to the then Mayor’s contract was terminated and she referred an unfair dismissal dispute to the Bargaining Council which was adjudicated in her favour.The Municipality is reviewing the award at the Labour Court.Due to being ill disposed of the Municipality’s representative, the matter has been delayed as the review was launched in 2014.

The Plaintiff sued the Municipality R50 000 for injuries sustained when he fell in an uncovered manhole in 2012.Merits were decided in favour of Plaintiff and they have now advised us that they would amend their claim from R50 000 to R200 000.

Contingent liabilities - Environment Act

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

42. Contingencies (continued)

In terms of the Environmental Act, The municipality is responsible for a number of environmental related transactions that may take place in its jurisdisction. This gives rise to contingent liabilities. However the nature of such transactions cannoyt be estimated both financially and the numberof occurrance, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the Department of Environmental Affairs as a result of illegal dumping by the municipal residents.
- penalties relating to raw sewerage or sewerage not properly treated being released to the nearby rivers or dams.
- penalties relatingto lack of proper security at the municipal's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in certain specified ways so as to avoid related healthy hazards.

43. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Controlled entities	Refer to note 7

Apart from the foregoing, there are no other known related party transactions that took place during the year.

Related party transactions

	2018	2017
Amount includes in Trade Payable regarding related parties		
Lekwa-Teemane Development Agency (Pty) Ltd	350 000	350 000

This relates to funding provided to Lekwa Teemane Development Agency (Pty) Ltd as the municipality's contribution towards the agency's operations. The funding was at an arms lenghth basis/transaction.

44. Change in estimate

Property, plant and equipment

The remaining useful life of certain roads, pavements, bridges and stormwater was estimated in 2016/17 to be 1 year. In the current period management have revised their estimate to 2.5 to 7 years. The effect of this revision has decreased the annual depreciation charges for the current and future periods by R -

There is no impact on the cash flow statement (non-cash adjustment)

Computer Software

The remaining useful life of certain computer equipment was estimated in 2017/18 to be 1 year. In the current period management have revised their estimate to 2.25 years. The effect of this revision has decreased the annaul depreciation charge for the current and future years by R -

There is no impact on the cash flow statement (non-cash adjustment)

Office Equipment

The remaining useful life of office equipment was estimated in 2017/18 to be 1 year. In the current period management have revised their estimate to 2.25 years. The effect of this revision has decreased the annual depreciation charge for the current and future periods by R -

There was no impact on the cash flow statement (non-cash adjustment)

45. Prior period errors

Certain comparatives have been corrected due to errors relating to the previous financial year. The following is an analysis of the prior year errors.

Land: During the audit of land, valuation recalculared does agree to value on FAR.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

45. Prior period errors (continued)

Buildings: Items of buildings were found during the verification that were on the register.

Plant and Machinery: During the 2017/2015 year weigh pad that was donated to the municiapality. however these weigh pad was not recorded in the asset register.

Furniture and Fiitings: During the 2016/2017 financial year the municipality depreciation was incorrectly calculated.

Motor Vehicles: During the 2016/2017 the depreciation, accumulated depreciation and the carrying value for motor vehicles have been understated.

Office Equipment: During the 2016/2017 the depreciation, accumulated depreciation and the carrying value for Office equipment have been understated.

Computer Equipment: During the 2016/2017 the depreciation, accumulated depreciation and the carrying value for Computer equipment have been understated.

Community Assets: Items of community asset were found during the verification that were not on the register. Furthermore items that were on the register could not be located.

Electricity: During the 2015/2016 year Were differences between Unit Rates used in the current year compared to Unit Rates of similar assets used in the prior year.

Roads, pavements, bridges and storm water: Items of roads, pavement, bridges were found during the verifiction that were not on the register.

Work In Progress: During the 2016/2017 financial year projects as well as financial periods, there were completed however they were no transfers done from the Work in progress balance to the respective classes of Property Plant and Equipment.

VAT payable: Adjustment relates to VAT on expense that was not initially accounted for.Other 3

Trade and Other Payable: Adjustment relates to understatement of Expenditure in the Ledger.

Propert RATES: **.** Rebate was calculated and 100% of property rates and not 70% according to the council resolutiont.

Expenditure: Adjustment relates to write-off of farmers rebates that was originally not accounted for the period 2015/16.

Bulk Purchases: Adjustment relates to wheeling/3rd party wheeling charges that were originally not accounted for

Traffic Fines Receivable: Adjustment relates to Traffic fines receivable that were understated .

Debt Impairement: Adjustment relates to the recomputation of the debtors impairement.

General Expenses: Adjustment relates to prior year advertising expenses accounted for in the wrong accountingperiod.

Depreciation: Adjustment relates to restatement of Property, Plant and Equipment

46. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Prior-year adjustments (continued)

2016

	Note	As previously reported	Correction of error	Re-classification	Restated
Land		42 764 539	(132 889)	-	42 631 650
Property, Plant and Equipments		381 053 069	15 970 843	-	397 023 912
Trade and other Payables		241 720 914	3 586 921	-	245 307 835
Provisions		10 378 014	-	(3 040 000)	7 338 014
Employee Benefits Obligations		23 941 000	-	3 040 000	26 981 000
Accumulated Surplus		111 459 787	(14 539 673)	-	96 920 114
acc sup		-	132 889	-	132 889
acc sup		-	(5 018 091)	-	(5 018 091)
		811 317 323	**-**	**-**	**811 317 323**

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Restated
Other financial assets		2 921 011	(2 869 948)	51 063
Traffic Fines receivables		3 779 210	(227 077)	3 552 133
Receivables from non-exchange transaction		100 686 980	(99 378 751)	1 308 229
Consumer Debtors		3 318 252	20 085 378	23 403 630
Money Market Investment		617 517	4 672 168	5 289 685
Cash and cash equivalents		3 652 544	(3 177 329)	475 215
		114 975 514	**(80 895 559)**	**34 079 955**

Non-Current Assets	**Balance as previously reported**	**Correction of Error**	**Re-classification**	**Total**
Land	53 717 291	(11 085 641)	-	42 631 650
Buildings	9 740 279	(1 717 251)	-	8 023 028
Plant and Machinery	2 429 331	(48 432)	-	2 380 899
Furniture and Fittings	653 257	32 482	-	685 739
Motor vehicles	2 517 418	(60 666)	-	2 456 752
Office equipments	756 128	(90 858)	-	665 270
IT Equipments	719 517	(35 530)	-	683 988
Roads, Pav, Bridges and Storm	147 510 498	60 678 766	-	208 189 264
Community	8 157 000	(2 164 889)	-	5 992 111
Electricity	80 010 757	23 951 023	-	103 961 780
Work In Progress	50 569 233	(38 100 827)	-	12 468 406
Intangible Assets	254 278	-	-	254 278
Other financial assets	48 000	-	-	48 000
	357 082 987	**31 358 177**	**-**	**388 441 165**

Current Liabilities	**Balance as previously reported**	**Correction of Error**	**Re-classification**	**Total**
Finance lease obligation	-	944 247	-	944 247
Payables from exchange transactions	269 664 435	27 669 241	(2 518 686)	294 814 990
Vat payables	1 706 469	2 518 686	-	4 225 155
Employee Benefits Obligation	984 038	-	-	984 038
Unspent conditional grants	2 263 715	-	600 000	2 863 715
	274 618 657	**31 132 174**	**(1 918 686)**	**303 832 145**

Non-Current Liabilities	**Balance as previously reported**	**Correction of Error**	**Re-classification**	**Restated**
Finance lease obligation	2 375 089	(2 375 089)	-	-
Employee Benefits Obligation	32 873 839	(9 719 984)	-	23 153 855
Unspent conditional grants	600 000	-	(600 000)	-
Provisions	11 162 785	(3 467 584)	-	7 695 201
	47 011 713	**(15 562 657)**	**(600 000)**	**30 849 056**

Statement of finanical performance

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

46. Prior-year adjustments (continued)

2017

	Note	As previously reported	Correction of error	Restated
Service charges		152 852 579	-	152 852 579
Fair value adjustment		5 901 355	(5 717 178)	184 177
Interest received - Investment		14 426	286 746	301 172
Traffic Fines		14 528 360	(227 077)	14 301 283
Depreciation and amortisation		(17 172 591)	(203 004)	(17 375 595)
Finance costs		(4 989 080)	-	(4 989 080)
Debt Impairment		(13 603 780)	(79 293 373)	(92 897 153)
General expenses		(40 703 708)	(99 739)	(40 803 447)
General expenditure		40 703 708	4 115 686	44 819 394
Surplus for the year		**137 531 269**	**(81 137 939)**	**56 393 330**

Cash flow statement

47. Risk management

General Objectives, Policies and Processes

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Council has the overall responsibilioty for the determination for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policiesit sets. The municipality's internal auditors also review the risk management policies and processes and reporttheir findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility. Further details regarding these policies are set out below:]

The gearing ratio as at 2018 and 2017 respectively were as follows:

	2018	2017
Total borrowings		
Fianace Lease Obligations	1 541 001	944 247
Other Financial Liability	3 000 000	3 000 000
Less: Cash and Cash Equivalents	(1 707 720)	(3 652 544)
Total Equity	362 178 316	278 702 920
Total Capital	**365 011 597**	**278 994 623**

47. Risk management (continued)

Liquidity risk

Liquidity risk arises from the municipality's management of working capital, finance charges and principal repayments on its debt instrument. It is the risk that the municipality will encounter difficulty in meeting its financial obligations as they fall due. The municipality's policy is to ensure that it will always have sufficient cash to allow it to meetits liabilities when thgey become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period long enough to cover the obligations. The municipalityt also seeks to reduce liquidity risk by using floating interest rates (and hence cash flows) on all its long-term borrowings. This is further discussed in the 'interest rate risk" section. Council receives cash flow projections on a regular basis as well as information regarding cash balances and (as noted ab ove) the value of the municipality's investments. At the end of the financial year, these projections indicated that the municipality expected to have sufficient liquid resources to meet its obligations under all reasonable expected circumstances and will not need to draw down on its agreed R 1 000 000 overdraft facility. However, in the prior period, the municipality did not have enough reserves to meet all its obligations. The liquidity risk of the municipal entity is also managed by the parent municipality. Where the municipal entity need facilities, approval must be sought from the Accounting Officer. Where the amount of the facility is above a certain level, agreement of the board is needed.

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For trade payables, they are due and payable on receipt of the invoice. Thus in the absence of any other arrangements, all balances due as at year end are disclosed in the 'Less than 1 Year' column.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The municipality is mainly exposed to credit risk form credit sales and placement with financial institutions. It is the municipality's policy to assess the credit rist of new counterparts, where possible, before entering contract. Due to the nature of most our customers, credit limits and rating for such customers cannot be done.

To mitigate some of the credit risks relating to our consumers, disconnections and restricting the flow of water are used as mechanisms to encourage the consumers to settle their debt. Consumers accounts are monitored on a monthly basis. In terms of the existing legislation, the municipality has limited option in this regards.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only reputab;le institutions are used. The municipality does not ,however request for cerdit ratings.

The municipality does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concetrated. Quantitative disclosures of the credit risk exposure in relation to financial assets are st out below. Further disclosures regarding trade and other receivables, which are neither past due nor impaired are provided in Note 14 and Note 16..

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Other financial Assets	55 215	51 603
Receivables from exchange transactions	12 184 754	919 463
Receivables from non-exchange transactions	2 799 003	1 457 609
Consumer Deposit	37 081 815	23 403 630
Money Market Investment	592 198	5 289 685
Cash and Cash Equivalents	1 707 721	3 652 544

Cash and cash equivalents: A significant amount of cash is held with ABSA, who are the municipality's main bankers.

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

47. Risk management (continued)

Interest rate risk

Market risk arises from the municipality's use of interest-bearing and tradable financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate becuase of changes in interest rates (interest rate risk) or other market factors (other price risk).

Fair value and cash flow interest rate risk.

The municipality is exposed to cash flow interest rate risk from long-term borrowings at variable rates. It is currently the municipality policy that all of the municipality's borrowings (including short-term overdraft facilities and finance lease payables) are at floating rate of borrowings. Further, all of the municipality's borrowings are denominated in South African Rands. Although Council accepts that this policy neither protects the Municipality entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payment, it considers that it achieves a appropriate balance of exposure to these risks.

The municipality analyses its interest rate exposure on a regular basis, at minimum annually. However, sensitivity analysis where simulations are used is not performed. The level of the municipality's borrowings does not warranty performance of this (cost benefit analysis. Further, the municipality does not have the competences to perform such analysis and also believes that the non-performamce of such analysis does not negatively expose it to huge interest rate risk exposure. Thus, because simulations are not porformed the impact on surplus and deficit and net assets of any basis-point shift (based on the maximum reasonable expectation of changes in interest rates) cannot be determined.

48. Going concern

We draw attention to the fact that at 30 June 2018, the municipality had a surplus of R 37 743 212 and surplus (2017: R20 041 206) and that the municipality's current assets exceeded its current liabilities by R 169 363 830 (2017: R127 626 247) during the current year. This poses a greater doubt on the municipality's ability ro realise its assets and discharge its liabilities in the normal course of business.

In order to mitigate these negative effects, the municipality is in the process of implementing the following measures, some of which the work has commenced:

- Appointed consultants to perform Revenue Enhancement Strategies and Installation of Pre-paid Automatic Meter Reading, whose results are expected to yeild positive results. The consultants have already commenced their work. Further, the appointment of Debt Collectors during the ensuing financial period will further enhance the municiplity's mitigating measures regarding tghese going concern challanges.
- Implementing cost reflective prices and costcutting measures.
- Implementation of the new valuation roll form the 1st of July 2017. This will greatly improve the municipality's income stream as property rates will be levied on market values.
- Recognition of the municipality's investment Properties at the current market values based on the new valuationroll in the ensuing financial period. This will greatly improve the balance as these assets are recognised at normally/historical amounts, someof which were determined more than 15 years ago.
- Unbundling and valuation of infrastructure in the ensuing financial period.

49. Events after the reporting date

There were no subsequent eventst that were identified during the year.

50. Unauthorised expenditure

Unauthorised expenditure	60 992 619	60 992 619

There was no unauthorised expenditure for the current year, the amount disclosed is the balance carried over from the 2014/15 financial year.

Unauthorised expenditure has not yet been condoned by the Council. A full report will be submitted to MPAC and Council for considerations.Council recommendations will then be taken into account when the deliberations and/or investigations are concluded.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

51. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	30 440 814	25 340 263
Add: incurred during the year	4 247 061	5 100 551
	34 687 875	**30 440 814**

Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

Interest on Late Payment: This relates to interest charged on late payments of VAT,SARS, AGSA and Eskom and other creditors. Measures have been put in place to avoid these charges in future.

52. Irregular expenditure

Opening balance	63 175 546	61 362 281
Add: Irregular Expenditure - current year	1 163 172	1 813 265
	64 338 718	**63 175 546**

Notes to the Annual Financial Statements

Figures in Rand		2018	2017

52. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
TGIS	No disciplinary measures have been taken, the transactions have been presented to council.	451 782
Nooitgedacgt Sandwerke	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	89 462
JCS Electrical	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	171 839
H2 Enterprise (PTY) LTD	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	35 326
The Phonebook Company	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	43 612
Shelohoko IT Services (PTY) LTD	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	49 600
Bell	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	3 183
J Electrical	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	58 367
Christiana Splitpunt Diens	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	3 600
Human Communication (Pty) Ltd	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	188 128
Jodeo Trust T/A FJ Beukers	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	4 081
Riverside Guesthouse	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	38 270
F.J Beaukes & Sean Vervoer	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	4 378
Christiana All Resort	No disciplinary measures have been taken, the transactions have been presented to council for condonement.	21 544
		1 163 172

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

53. Additional disclosure in terms of Municipal Finance Management Act

Distribution Losses

Electricity (Kilowatts per hour)	8 486 492	14 572 358
Purified Water (Kilolitres)	1 178 299	1 590 138
	9 664 791	**16 162 496**

Distribution Losses for electricity relates to unaccounted electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumer. During the year 8 486 492.; (2017:14 572 358) kilowatts per hour were lost. This represented by 19% (2017: 30%) of the electricity purchases for the year, which have been included in bulk purchases.

Purified Water: This is lost during distribution processes to the consumer. Most of this is caused by burst pipes as greater component of the municipality's water infrastructure network is relatively old. During the year, the losses amounted to ....: (2018; 1 178 298,87) megalitres, which constitutes about ...31%; (2017: 26%) losses of the purified water.

Whilst this not a desirable features, the level of distribution losses are well within the acceptable norms.

Distribution Losses in Rand Values		
Electricity	31 188 182	7 351 272
Water	8 260 828	6 763 114
	39 449 010	**14 114 386**

Audit fees

Opening balance	16 668 266	13 959 094
Current year fees	4 232 888	4 841 705
Current year - Interest	1 412 470	1 230 090
Amount paid	(17 530 287)	(3 362 623)
	4 783 337	**16 668 266**

PAYE and UIF

Opening balance	5 497 542	3 128 038
Current year charges	7 662 434	6 257 170
Amount paid - current year	(8 342 670)	-
Amount paid - previous years	-	(3 887 666)
	4 817 306	**5 497 542**

Pension and Medical Aid Deductions

Opening balance	2 345 658	439 678
Current year subscription / fee	3 736 699	7 210 778
Amount paid - current year	(2 398 453)	-
Amount paid - previous years	-	(5 304 798)
	3 683 904	**2 345 658**

VAT

VAT payable	6 956 939	4 225 155

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

53. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2018:

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor: S Fortuin	767	15 196	15 963
Councillor: L.W Tshweu	621	19 306	19 927
Councillor: P.G Modise	1 775	20 082	21 857
Councillor: G Pencil	835	1 762	2 597
Councillor: M.W Moseswa	997	374	1 371
Councillor: K Majahe	1 704	21 595	23 299
Councillor: K.L Duiker	2 840	22 046	24 886
Councillor: M.M Pilane	1 053	45 582	46 635
Councillor: M.M Moselan	719	22 737	23 456
Councillor: K.D Dabampe	548	26 212	26 760
Councillor: T & M J Gerber	3 089	-	3 089
Councillor: M.L Segola	1 091	-	1 091
Councillor: J Joseph	1 407	-	1 407
	17 446	**194 892**	**212 338**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

54. Utilisation of Long-term liabilities reconciliation

	2018	2017
Long-term liabilities raised	3 000 000	3 000 000

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

55. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the year amounted to R 496 136.(2017: R711 268) which has been tabled to council for noting in terms of Section 36(2).

Additional text

Reasons for the deviation	Date	Successful Bidder	Description of service provided	Total Amounts
Emergency	Thursday, 31 May 2018	Wild Wings	Catering	5 662
Goods available from sole provider	Friday, 29 September 2017	VaalHarts Printers	Meter books	23 300
Service available from single provider	Monday, 22 January 2018	Truvelo Manufactures	speed camera	3 920
Emergency	Tuesday, 08 May 2018	Riverside Gastehuis	Accomodation	104 320
Emergency	Wednesday, 28 March 2018	Oageng Funeral Services	Paupers funeral	2 500
Emergency	Sunday, 18 February 2018	North West University	Accomodation	9 720
Service available from sole provider	Friday, 25 May 2018	Nooitgedacgt Sandwerke	cemetre	73 513
Emergency	Thursday, 03 May 2018	Ndlelandtle Nkundzi	Hiring	7 250
Emergency	Sunday, 26 January 2014	Jodeo Trust T/S F.J Beukes	Hiring	4 081
Emergency	Thursday, 29 March 2018	J. Electrical	Repairs MV cable	129 521
Emergency	Saturday, 05 May 2018	Holiday Inn	Accomodation	8 463
Service available from single provider	Thursday, 08 March 2018	F.J. Beukes & Sean Ve	Transport ng	4 378
Emergency	Saturday, 31 March 2018	DCH Engineering	repairs	64 148
Sole service provider	Tuesday, 08 May 2018	Christiana SpilPunt Diens	Venue	38 360
				479 136

56. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

57. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Annuity loans								
DBSA			5 719 415	-	5 719 415	-	-	-
DRSM			(5 719 415)	3 000 000	(5 719 415)	3 000 000	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**3 000 000**	**-**	**3 000 000**	**-**	**-**
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability								
			-	-	-	-	-	-
INDLELA DATA		2017-10-05	-	3 630 394	-	3 630 394	-	-
BUSINESS ENGINEERING			-	765 765	-	765 765	-	-
BLAQ.M			944 451	-	944 451	-	-	-
			-	-	-	-	-	-
			944 451	**4 396 159**	**944 451**	**4 396 159**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								
Loan Stock			-	-	-	-	-	-

Schedule of external loans as at 30 June 2018

	Loan Number	Redeemable	Balance at Friday, 30 June 2017 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at Saturday, 30 June 2018 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Annuity loans			-	3 000 000	-	3 000 000	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			944 451	4 396 159	944 451	4 396 159	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			944 451	**7 396 159**	**944 451**	**7 396 159**	**-**	**-**

LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Community Services	5 992 111	9 670 915	-	-	-	-	**15 663 026**	15 663 026	-	-	(710 295)	-	**14 952 731**	14 952 731
Land	42 631 650	-	-	-	-	-	**42 631 650**	42 631 650	-	-	-	-	**42 631 650**	42 631 650
Building	8 023 028	-	-	-	-	-	**8 023 028**	8 023 028	-	-	(770 851)	-	**7 252 177**	752 177
Roads, Pav, Bridges & Storm watar	219 912 477	19 135 286	-	-	-	-	**239 047 763**	239 047 763	-	-	(11 950 110)	-	**227 097 653**	227 097 653
Electricity	103 961 780	6 804 091	-	-	-	-	**110 765 871**	110 765 871	-	-	(4 402 176)	-	**106 363 695**	106 363 695
Work In Progress	12 468 406	-	-	(35 610 294)	28 584 811	-	**5 442 923**	5 442 923	-	-	-	-	**5 442 923**	5 442 923
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	392 989 452	**35 610 292**	**-**	**(35 610 294)**	**28 584 811**	**-**	**421 574 261**	**421 574 261**	**-**	**-**	**(17 833 432)**	**-**	**403 740 829**	**397 240 829**
Municipal Owned Entities														
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Total														
Municipality	392 989 452	35 610 292	-	(35 610 294)	28 584 811	-	**421 574 261**	421 574 261	-	-	(17 833 432)	-	**403 740 829**	397 240 829
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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LEKWA TEEMANE LOCAL MUNICIPALITY
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
392 989 452	35 610 292	-	(35 610 294)	28 584 811	-	421 574 261	421 574 261	-	-	(17 833 432)	-	403 740 829	397 240 829